BC STATS
Province of British Columbia
Ministry of Finance and Corporate Relations

Infoline

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February 28, 1997

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http://www.bcstats.gov.bc.ca

Report

Surging Service Exports

BC at a glance . . .

POPULATION (thousands)	Oct 1/96	% change on year ago
BC	3,888.5	2.5
Canada	30,101.6	1.2
GROSS DOMESTIC PRODUCT		% change
(BC - at market prices - $ millions)	1995	on year ago
Current Dollars	103,273	4.6
Constant (1986) Dollars	74,107	1.9
TRADE ($ millions)		
Manufacturing Shipments (seas. adj.) Dec	2,726	-0.6
Merchandise Exports (raw) Dec	2,031	-5.0
Retail Sales (seasonally adjusted) Dec	2,551	-1.0
CONSUMER PRICE INDEX		% change
(all items - 1986=100)	Jan '97	on year ago
BC	139.0	0.7
Canada	137.1	2.2
LABOUR FORCE (thousands)		% change
(seasonally adjusted)	Jan '97	on year ago
Labour Force - BC	2,002	2.0
Employed - BC	1,841	3.2
Unemployed - BC	161	-9.7
		Jan '96
Unemployment Rate - BC *(percent)*	8.0	9.1
Unemployment Rate - Canada *(percent)*	9.7	9.6
INTEREST RATES (percent)	Feb 26/97	Feb 28/96
Prime Business Rate	4.75	7.00
Conventional Mortgages - 1 year	5.05	6.50
- 5 year	7.00	7.80
US/CANADA EXCHANGE RATE	Feb 26/97	Feb 28/96
(avg. noon spot rate) Cdn $	1.3618	1.3748
US $ *(reciprocal of above rate)*	0.7343	0.7274
AVERAGE WEEKLY EARNINGS		% change
(industrial aggregate - dollars)	Dec '96	on year ago
BC	609.66	2.6
Canada	592.83	2.7

SOURCES:
Gross Domestic Product: Statistics Canada, revised by BC STATS
Population, Trade, Prices, Labour Force, Earnings: Statistics Canada
Interest Rates, Exchange Rates: Bank of Canada Weekly Review

New on the Web

On February 7 and again on the 14th we announced a major new publication authored by Lillian Hallin of BC STATS. You can now find ***A Guide to the BC Economy and Labour Market*** on the Internet. From our home page click on the top touchbar:

New Features!

It is the first item in the listing of additions to the site. Clicking on it will take you to the Business and Economics page which contains a link to the document. If you want to create a bookmark, the address is

http://www.ceiss.org/randa/bc-econ/econdoc.html

While you can access it freely there, it is doubtless a savings of your time and money to order the publication from us if you require a copy. The charge only $5 per copy, plus GST.

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Released this week by BC STATS

- Consumer Price Index, January 1997
- BC Tourism Industry Monitor, Annual 1995
- Employment in Tourism-Related Industries, 1984-1996
- Business Indicators, February 1997
- Current Statistics, February 1997

Next week

- No subscription releases next week.

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Infoline Report:

Service Exports – Shipping & Professional Service Industries Bring in More Overseas Revenue

February 28, 1997

Reprinted from the November 1996 issue of *Exports (BC Origin)*. An annual subscription is $60 + GST.

Harbours, airports, pipelines, power lines, trucking and railroad services have proven to be among British Columbia's best sources of income from outside the province. Transportation industries accounted for 40% of the province's international service export dollars in 1995, far more than any other service category.

But while transportation industries have traditionally accounted for most of the province's sales of services to non-residents, and still do, they are rapidly giving way to a broad range of business and professional services being provided by British Columbia companies to clients in Asia, Latin America, the United States and elsewhere.

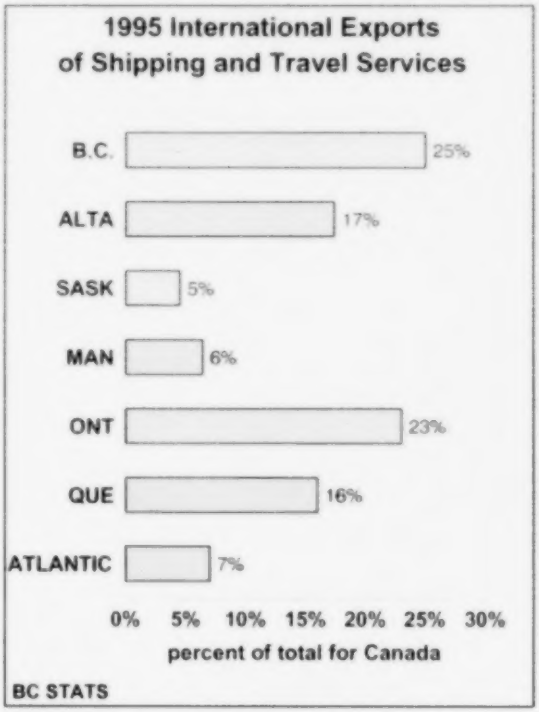
What Is a Service 'Export'?

Service exports are not always as obvious as exports of goods, such as lumber or radio transmitters for example. Some service exports take place when British Columbia based professionals (such as lawyers, engineers or accountants) go to work for a period of time in another country or province, and remuneration for their services is brought back to British Columbia. A service export is also said to take place when, for example, an architect resident in British Columbia produces plans in his or her British Columbia offices for an overseas client. Another less obvious example of a service export transaction would be a Japanese student attending high school in British Columbia, and paying with funds brought from Japan.

Most 'exports' of shipping or travel services involve activities taking place within the province itself, but ultimately paid for by non-residents. For example, a service export is said to take place when goods are shipped from, or through, the province and importers pay for shipping, handling and storage. These transactions might be recorded from the billing records of port or airport authorities, railroads or road haulage companies. Travel expenses paid to British Columbia residents by overseas or American tourists are another service export in this general category. Most such exports depend on the use of transportation facilities such as seaports, airports, railroads pipelines, electric transmission lines and highways.

Transportation Industries Big Service Export Earners

With its coastline including all of Canada's Pacific ports, it should not be surprising that British Columbia has grown into Canada's leading 'exporter' of shipping, storage and travel services. In 1995 the province earned 25% of total Canadian income gained from foreigners for shipping and travel services. Ontario accounted for 23%, while Alberta and Quebec earned 17% and 16%, respectively.



The capacity to ship natural resource commodities to market has long been critical to economic growth in British Columbia. The completion of transportation infrastructure projects like the Canadian Pacific Railway line to Vancouver in the last century and the Canadian National Railway line to Prince Rupert in the early part of this century were defining events in the province's industrial history.

The railways served to bind British Columbia within confederation by moving goods and people between the Pacific coast and the rest of Canada. They also provided the means for British Columbia and the rest of Canada to trade with Asia, Australia and other Pacific markets.

It has mainly been the Pacific Rim link that has spurred development of transportation infrastructure in recent decades. In the 1970's and 1980's, rapidly increasing demand from Japan and South Korea led to the building of the Roberts Bank coal terminal at Tsawwassen, the electrified rail line to Tumbler Ridge and major upgrades to existing rail lines.

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New Projects Promise More Exports of Transportation Services

Yet another crop of transportation infrastructure projects has taken shape in the 1990's, inspired by continuing growth in Asian trade and tourism. The value of Canadian exports to the Pacific Rim grew 62% between 1990 and 1995. Imports passing through British Columbia ports climbed 66%, and tourism (revenue) from Asian and other Pacific Rim visitors to the province jumped 105%.

As the newest facilities come into operation it can be expected that the province will further expand its role as an 'exporter' of transportation services.

Two of the most important transportation infrastructure projects of the 1990's are the just completed $350 million expansion of Vancouver International Airport, and the soon to be completed Deltaport container terminal at Robert's Bank, valued at $224 million.

Deltaport is expected to nearly double container handling capacity for the Port of Vancouver to more than 1 million 20 foot-equivalent-units. It will ensure the Port of Vancouver's status as the leading container port for westbound cargo in North America.

In addition to this project, there have been expansions and improvements at the Port's nine existing general cargo terminals, used for handling lumber, plywood, pulp, steel and other products.

Movement of bulk cargoes such as coal, sulphur or copper ore still account for over 80% of annual tonnage through The Port of Vancouver. This traffic has been streamlined through new computerised process control systems, railcar unloading facilities and other capital investments.

Passenger cruise ship facilities have also been expanded, and now serve more than 700,000 revenue passengers annually, through 300 sailings.

Over the next few years, further improvements in the Port's capacity can be expected from projects now in the proposal, or early planning stages. These include a $175 million agricultural products terminal in Delta, a $25 million wharf upgrading in North Vancouver, a $35 million rail terminal in Pitt Meadows, $19 million in dock improvements in New Westminster, port development in Squamish and port and pipeline work for a proposed liquefied natural gas facility at Kitimat.

Prince Rupert, the province's second largest port, expanded its facilities in the 1980's with the construction of new coal, grain and general cargo facilities, but has not grown further in the 1990's. Although it can boast shorter sea routes to Asia destinations, its traffic has not greatly expanded recently. The Port still offers unused capacity and undeveloped tidewater sites for additional export terminals, should they ever be needed. With no container facilities and relatively far from major cities , all but a small part of its traffic is in exports of commodities of coal, lumber, pulp, wheat and other grains. There is relatively little import traffic of any sort.

Vancouver International Airport completed its expansion last year, expanding its aircraft movement capacity by 42%. Besides the more familiar passenger, retail and restaurant facilities, the airport now offers freezer and seasonal cargo storage for fishing charter companies and float plane docks with storage and fuelling services. Expanded facilities for air freight shipping reflect the increasing importance of high value food goods and high technology products in the province's merchandise exports.

Since privatisation in 1992, the new self-supporting Vancouver International Airport Authority has begun to generate additional income from service exports other than just the operation of travel, shipping and storage facilities. Through its subsidiary YVR Airport Services, Vancouver International has taken contracts to operate a 1 million passenger per year airport in Bermuda and the Hamilton International Airport in Ontario. It has also provided consulting services for airports in Argentina, Russia, Malaysia, Chile, Oman and three in China, and is developing business plans with airports in Lethbridge and Grande Prairie, Alberta.

New Types of Service Exports

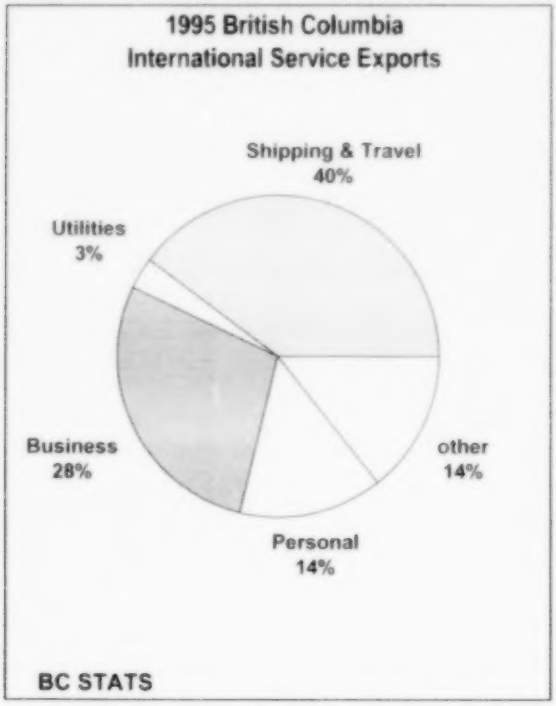
Although they are associated with airport operations, the out of province activities of YVR Airport Services are not so much transportation service exports as they are exports of business services. They are part of a healthy surge in sales of expertise from the province's business and professional communities.

Between 1991 and 1995, exports of business and professional services grew from 23% to 28% of total international service exports.

The kinds of businesses involved are as wide ranging as engineering, environmental consulting, architectural services, legal services, banking or education services, to name only a few.

The appearance of many new (for British Columbia) and varied types of business service exports parallels the emergence of new secondary manufactured goods in the province's mix of export products. They are further evidence that the provincial economy is slowly being weaned off its long dependence on natural resource production.

Like rapidly globalizing world trade in goods, the international exchange of business and professional services works increasingly both ways. This is reflected in British Columbia statistics on trade in business services. The province's international exports of business



and professional services grew 106% between 1991 and 1995, while its imports of these services grew 78%.

Many of the British Columbia companies that have been most successful in penetrating foreign markets have been those with skills and experience gained serving the province's extensive natural resource and transportation industries.

Engineering consultants from British Columbia , for example, have found markets overseas for expertise developed in pulp mills, sawmills, mines or hydroelectric power facilities. Figures from the Consulting Engineers of British Columbia indicate 1995 international exports of $390 million, more than the value of salmon or zinc exports.

John Wilkins, Executive Director of the association lists locations all over the world where their membership have worked on projects ranging from harbour facilities to waste disposal and fresh water systems

'In recent years,' he notes, 'there have been many projects in South East Asia, where British Columbia engineers have been able to make good use of skills and experience acquired from working on resource and transport projects at home.' Among these he identifies, 'pulp mill projects in Asia , mining projects in Chile, airports and roads in Africa and port facilities and waste water treatment plants in the Caribbean.'

Architecture firms based in British Columbia have also made important inroads into Latin American and Asian markets.

The Export Council of Canadian Architecture, a group of about 12 architectural firms, is focused on selling wood frame building expertise to Asia. Their President, Keith Hemphill, declares that, 'Asian interest is growing extremely fast in wood frame technology, particularly in China, Korea and Japan.'

Asian interest in wood frame structures has been amply proven by the very rapid rise in exports of prefabricated houses to that market in the past two years. From monthly sales of about $3 million in 1990 and 1991, they have risen very rapidly to about $10 million monthly in the second half of 1996. These ventures have sometimes included the services of British Columbia construction workers travelling to Asia to assemble houses on-site.

Overseas design contracts awarded to British Columbia architects have most typically been for structures larger than single family homes. They have included, for example, hotels, airport facilities, arenas, subway stations, apartment buildings, timber structure community centres and brew pubs.

The relatively small size of many architectural firms in British Columbia has sometimes posed a problem in bidding on overseas contracts. Alan Hart, a partner with Baker McGarva Hart, an architecture firm with about 20 employees, notes that smaller British Columbia firms often have to partner with other Canadian firms to spread the risk.

Accounting and business consulting companies have been doing work internationally for many years. Reports from some firms operating out of British Columbia suggest that overseas work, and work in the United States has been increasing in recent years.

Price Waterhouse, for example, reports doing more work in Hong Kong and China and becoming more 'integrated' with offices south of the border. Tom Chambers, National Managing Partner Audit Business Services, notes that they have also been moving increasingly into South America by following Canadian mining companies doing business in that part of the world.

Enthusiasm for selling services to foreigners has recently taken hold in organisations in which it might never have been expected a few years ago.

Officials from *post secondary institutions* and representatives from several provincial *school boards* were among the British Columbia contingent on the Team Canada Trade Mission in January. The school boards were actively seeking to increase the number of fee paying Asian students in their high schools. Post sec-

ondary institutions were pursuing a variety of service-for-fee projects.

Overseas initiatives undertaken by British Columbia universities have included, for example, a University of British Columbia agreement with a Bangkok hospital to have medical students attend U.B.C., a Simon Fraser project to develop a multimedia university in Malaysia and University of Victoria programs for English as a second language (ESL) and business studies.

The University of Victoria programs include receiving 1,500 international students per year in its English Language Centre and delivering its Masters in Business Administration program in Thailand and Malaysia. There is also a Certificate Program in Computer Based Information Systems being offered in Hong Kong and Mauritius.

More Services Than Goods Exported to Other Provinces

While services provided to foreigners accounted for only 30% of the province's export revenues from outside Canada in 1995, services to other Canadians accounted for 69% of trade revenues from other parts of Canada. British Columbia still exports mainly goods outside Canada, but mainly services to other parts of Canada.

The value of services provided to residents of other parts of Canada was roughly equivalent to the value of international service exports. They accounted for most of the province's interprovincial exports because its merchandise exports to other provinces were relatively small.

Like international service exports, interprovincial service exports have been built largely on British Columbia's strategic advantage as Canada's 'gateway to the Pacific'. In 1995, 30% of the province's service exports to other provinces were concentrated in shipping and travel, up from 26% in 1991. Revenues from interprovincial exports of shipping and travel services were greater than for any other province except Ontario.

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highlights

February 28, 1997
Issue: 97-09

a weekly digest of recently released British Columbia statistics

Business and Economics

- **Private and public investment in the province is expected to increase 5.1% during 1997.** Businesses and governments surveyed indicated that they intend to spend 7.2% more on machinery and equipment, while planned investment in residential and non-residential construction projects is expected to increase 4.1%, on the strength of a resurgence in the residential sector. Housing construction intentions are up 7.1% over 1996, but investment in other construction projects is expected to rise only marginally (0.9%).

  Investment in the province has declined during the last two years, and the expected increase in 1997 is just under the national average (5.2%). Investment in the province had been growing at above-average rates prior to 1995. Both private (+5.1%) and public (+5.0%) investment are expect to grow at about the same rate this year. At the national level, private investment during 1997 is expected to be 7.8% higher than last year, compared to a 4.9% decline in investment by the public sector.

  In other provinces, planned investment growth is strongest in Nova Scotia (+18.1%), Alberta (+14.9%) and Newfoundland (+6.0%). BC is ranked fourth in the country. New Brunswick (-11.0%) and Prince Edward Island (-15.2%) are the only provinces where investment is expected to decline this year. *Source: Statistics Canada*

- **The port of Vancouver handled 4.7% more foreign cargo in 1996 (67.4 million tonnes) than in the previous year.** However, domestic trade through the port was down sharply, decreasing 36.6% to 4.6 million tonnes. Overall, the amount of cargo handled by the Port rose 0.5% last year. *Source: Port of Vancouver*

- **Despite a 6.4% decline in total exports, BC's exports to the US, the province's major trading partner, were up 3.9% in 1996.** More than half (55%) of BC's exports in 1996 were destined for sale in the United States. Exports to China were 2.2% higher than in 1995. However, trade with Japan dropped 12.2%, and sales to Europe (mainly pulp and paper products) were down 31.4%.

  A growing share of BC's total exports are value-added products such as machinery and equipment, plastics, clothing and accessories and other manufactured goods. In 1996, these commodities comprised 18% of total exports from the province, compared to 11% of the total in 1989.

  Source: BC STATS

Agriculture

- **Farm cash receipts in British Columbia rose 4.0% in 1996.** The increase was due to strong growth (+6.3%) in livestock receipts. Receipts from sales of crops were lackluster in 1996, rising 0.5%. In the rest of Canada, farm cash receipts were up in all provinces except Prince Edward Island (-5.4%). Manitoba (+13.2%) and New Brunswick (+9.3%) recorded the largest gains. The relatively strong increases in the prairie provinces were largely due to stronger wheat sales: Canadian receipts from wheat sales were up 24.6%. Nationally, farm cash receipts rose 6.6% last year. Both crop (+8.2%) and livestock (+7.7%) receipts increased, while stabilization, crop insurance, and other payments to farmers declined 22.9%.

  Source: Statistics Canada

Labour Force

- **The number of regular employment insurance (EI) beneficiaries in the province fell 4.1% to 72,330 (seasonally adjusted) in December.** The number of EI beneficiaries has been declining steadily since 1991, partly due to the introduction of tougher eligibility requirements. Nationally, the number of EI beneficiaries was down 3.1% in December, to 659,640. There were fewer EI recipients in all provinces except PEI (+2.3%) and New Brunswick (+0.1%). *Source: Statistics Canada*

For data originating from Statistics Canada: data sourced to 'Statistics Canada' has been retrieved from CANSIM, the agency's electronic database; otherwise the source is identified as 'SC' plus the publication name or catalogue number.

Did you know...?
Last year, 103,000 British Columbians–and 699,000 Canadians–were multiple job holders. More than a third of Canadians who had more than one job were employed in managerial and professional occupations.

- **Average weekly earnings in BC increased 2.1% in 1996 to $607.** Average earnings also increased 2.1% at the national level, to $586 per week. This was the first time since 1992 that BC's growth in weekly earnings has not exceeded Canada's. Among provinces, the largest increase in average earnings was in PEI, where wages rose 5.2% to $490 per week, followed by Alberta (+4.2%, to $577 weekly). Newfoundland (-0.5%) was the only province where average wages declined in 1996. *Source: Statistics Canada*

- **Workers in BC were off the job for personal reasons such as illness or family responsibilities for an average of 9.9 days in 1996.** This was the highest time loss per worker in the country, and well above the national average (8.8 days). In other provinces, time loss from work for personal reasons ranged from a low of 7.2 days per worker in Alberta to 9.8 days in Quebec.

  Women were more likely to take time off work for personal reasons than men. In BC, women lost an average 12.8 days last year, compared to 8.0 days for men. The national averages were 13.0 and 5.9 days, respectively. Among the provinces, time lost by women ranged from 11.2 days in New Brunswick to 13.7 days in Manitoba. For men, the amount of time lost by workers was lowest in Alberta (4.5 days) and highest in BC (8.0 days).
  Source: SC, catalogue 71-220

Consumer Credit

- **British Columbians owed chartered banks $38.6 billion for residential mortgages, $3.0 billion on credit cards, and $4.5 billion on personal loans at the end of last September.** On a per capita basis, this translates to $9,930 in mortgage debt, $770 in credit card balances and $1,170 in personal loans to chartered banks. Relative to the size of the population (13% of the Canadian total), British Columbians had a disproportionately high share of total mortgage (20%) and credit card (17%) balances. The higher mortgage debt is at least partly due to the relatively high cost of housing in BC compared to other provinces. For all of Canada, per capita indebtedness to chartered banks was $6,510 for mortgages, $570 for credit cards and $1,120 for personal loans.

  These figures do not include debt issued by credit unions, trust companies, and other financial institutions. About 55% of Canadian mortgage debt and 69% of consumer credit is held by chartered banks. *Source: Bank of Canada Review: Winter 1996-1997*

Social Trends

- **In 1996, there were 167 police officers in British Columbia for every 100,000 residents.** This was below the national average (181 per 100,000 population). Manitoba (194) had the highest police to population ratio of any province, while Newfoundland (146) had the lowest ratio. Total policing costs by all three levels of government in BC were $624 million last year. Nationally, $5.8 billion were spent on police activities in 1996.
  Source: SC, Catalogue 85F0019XPE

- **One in ten (5,630) police officers in Canada was female in 1996.** This compares to less than one percent In 1965, when there were 190 female police officers in Canada. Most of the increase has taken place during the last ten years. Women comprised 4% of Canadian police officers in 1985.
  Source: SC, Catalogue 85F0019XPE

The Nation

- The Canadian economy grew by 0.7% (as measured by real GDP at market prices) in the fourth quarter of 1996, following a similar gain in the previous quarter. The relative strength in the second half of 1996 brought the growth for the year as a whole to 1.5%, down from the 2.3% growth posted in 1995. In the fourth quarter, strong demand for consumer goods and services, residential construction, machinery and equipment and merchandise imports was partially offset by a large drop in merchandise exports (-3.4%), mainly as a result of the strike in the motor vehicle industry early in the quarter.
  Source: Statistics Canada

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